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INTRODUCTION

Dorothy McMillan, Professional Image LLC (Dorothy McMillan) entered into contract #YIT-05-39001, with the Department of Human Services (DHS) to provide case management, youth focus groups, education support, employment support, independent living skills training, and closed case support. The contract covered the period April 1, 2005 through September 30, 2005 and was extended through September 30, 2006. The contract amount was \$32,134.05 for each year. Dorothy McMillan was reimbursed for the actual costs incurred in providing these services, through submission of monthly billings to DHS.

SCOPE

The Office of Internal Audit performed an audit of the contract with Dorothy McMillan for the period April 1, 2005 through April 30, 2006. The purpose of our audit was to determine if the billings were accurate, and if the costs charged were allowable per the terms of the contract and properly supported by the accounting records and other documentation.

EXECUTIVE SUMMARY

Based on our audit, we concluded that some of the billings submitted by Dorothy McMillan were not accurate, and some of the costs charged were not allowable or properly supported by the accounting records. We also concluded that Dorothy McMillan over billed DHS by \$41,218.98 for the period April 1, 2005 through April 30, 2006. The following Schedule of Findings and Recommendations provides details of the amounts over billed. Our report recommends that the Field Operations Administration initiate the process to recoup \$41,218.98 from Dorothy McMillan.

AGENCY RESPONSE

Dorothy McMillan responded on October 17, 2006 that they understand that their concerns regarding the denial of charges should be addressed with the Kalamazoo County DHS due to the issue of youth eligibility.

FINDINGS AND RECOMMENDATIONS

Service Documentation

1. Dorothy McMillan did not properly document the services provided in the client casefile. The contract states: "For each eligible client served under this agreement, the Contractor shall maintain client case records consisting of:

- DHS-provided forms which certify eligibility.
- Date of contact with client.
- Problem identification.
- Method of service delivery.
- Significant contacts with client and significant events.
- Other material as may be specified by the DHS."

Dorothy McMillan did not document significant contacts with the client, dates of contacts, type of services provided, or amount of time spent with the clients in the client casefiles. This information is necessary to document that services were provided as required by the contract.

WE RECOMMEND that Field Operations Administration instruct Dorothy McMillan to comply with the contract and maintain the required documentation in the client case records.

Documentation for Expenses Billed

2. Dorothy McMillan did not maintain the accounting records required by the contract and did not have documentation for most of the costs charged to DHS. The contract states: "The accounting system, at a minimum, shall consist of a chart of accounts, cash receipts journal, cash disbursements journal, and general ledger. All expenditures and income must be supported by vouchers and receipts that detail the reason for the transaction." Dorothy McMillan did not have a record of all income and expenses for the total program.

Dorothy McMillan billed DHS \$32,133.66 for the contract period April 1, 2005 through September 30, 2005. Dorothy McMillan had documentation for \$8,438.68 in allowable expenses. Unsupported amounts by line item are as follows:

| | |
|----------------|-----------------|
| Salaries | \$18,869.56 |
| Fringes | \$3,935.02 |
| Occupancy | \$123.20 |
| Communication | \$17.36 |
| Supplies | \$84.44 |
| Transportation | <u>\$665.40</u> |
| Total | \$23,694.98 |

For the current contract, DHS has paid \$22,824.96 through April 30, 2006. Dorothy McMillan had documentation for \$5,300.96 in allowable expenses. Unsupported amounts by line item are as follows:

| | |
|----------|-------------------|
| Salaries | \$15,730.07 |
| Fringes | <u>\$1,793.93</u> |
| Total | \$17,524.00 |

The total unsupported costs for the audit period are \$41,218.98 (\$23,694.98 + \$17,524.00).

WE RECOMMEND that Field Operations Administration initiate the process to recoup \$41,218.98 for undocumented expenses billed to DHS.

WE ALSO RECOMMEND that Field Operations Administration instruct Dorothy McMillan to develop and implement an accounting system that meets the contract requirements.